

(909) 621-8303  
FAX (909) 621-8576  
e-mail: fwykoff@pomona.edu

**FRANK C. WYKOFF**, *Eldon Smith Professor of Economics*

Carnegie 204, Pomona College  
425 N. College Avenue  
Claremont, CA 91711

Honorable Robert E. Gerber  
United States Bankruptcy Court  
Southern District of New York  
One Bowling Green  
New York, New York 10004-1408

June 19, 2009

Dear Judge Gerber,

I urge you to reject the planned unfavorable treatment of private creditors in the proposed bankruptcy of General Motors. The plan favors UAW retirees over creditor retirees. At a minimum at least all retirees, workers and creditors, should be treated the same.

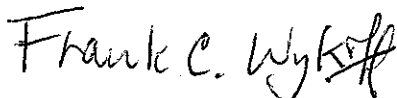
I am a retired college professor who invested in General Motors bonds because I was sure GM would continue to be viable even if they had to endure bankruptcy. I knew there were rough times in the immediate future, but thought GM could survive and eventually be able to make quality automobiles and make good its obligations to creditors. In other words I am not a speculator who purchased bonds just to sell them. I invested in the future of the American automobile industry.

Honoring debt obligations has been a historical requirement for American firms which survive and continue to do business despite having hit rough patches in the road. Even after the great depression, surviving firms eventually honored their debt dollar for dollar.

I understand the politics of the Obama Administration's favoring the UAW. The UAW was a staunch financial supporter of his candidacy for the Presidency. But any agreement must pass the test of consideration by a neutral bankruptcy court precisely because the judge is not political. As the bankruptcy judge, you are clearly an unbiased, disinterested decision maker.

Historically creditors have always been senior to workers in US bankruptcy courts. Our country will fall into a dangerous financial trap if it fails to protect creditors of American firms. Short run political gain will lead to long run economic costs. If creditors are not confident of legal protection, then borrowing by American firms, especially by US automobile companies, will be much more difficult and costly. This cavalier treatment of creditors would hamper GM, Chrysler and Ford to recover. Mal-treatment of creditors is short-sighted. Only you as a wise judge can keep this country from falling into this financial trap.

Even if you decide that we are not senior, at least treat retired private creditors as equals with UAW retirees. Thank you, your Honor, for taking my views into account.



Frank C. Wykoff  
Eldon Smith Professor of Economics, Emeritus